CHINA GAS 中國燃氣

[Press release]

CHINA GAS ANNOUNCES 1H FY2008 INTERIM RESULTS

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TURNOVER UP BY 84.8% TO HK$877,762,000

GROSS PROFIT SURGED 70.5% TO HK$271,802,000

SALE OF PIPED GAS UP BY 124.6% TO 380,489,000M^3

NATURAL GAS PROJECTS GREW TO 73

Financial Highlights

	For six months ended 30 September		
	2007	2006	**Changes**
	HK$'000	HK$'000	
Turnover	**877,762**	475,098	**+84.8%**
- Sale of piped gas	**549,941**	270,346	**+103.4%**
- Connection fees	**227,027**	156,582	**+45.0%**
Gross profit	**271,802**	159,398	**+70.5%**
EBITDA	**387,965**	162,028	**+139.4%**
EBIT	**312,237**	129,207	**+141.7%**
Change in fair value of derivative financial instruments	**(135,956)**	14,843	**+1016.0%**
Profit for the period	**74,476**	101,386	**-26.5%**
Profit attributable to shareholders	**64,711**	89,918	**-28.0%**
Basic earnings per share (HK cents)	**2.05**	3.08	**-33.4%**

	As at 30 September 2007	As at 31 March 2007	**Changes**
	HK$'000	HK$'000	
Total assets	**9,343,408**	7,293,402	**+28.1%**
Equity interests	**2,693,038**	2,347,863	**+14.7%**
Cash on hand	**1,428,956**	1,512,347	**-5.5%**

(Hong Kong – 19 December 2007) Leading PRC piped-gas operator **China Gas Holdings Limited** ("China Gas" or the "Group"; Stock Code 384) announced its interim results for the six months ended 30 September 2007. The Group's turnover for the period grew 84.8% year-on-year to HK$877,762,000, while gross profit reached HK$271,802,000, representing a 70.5% increase against the same period last year. EBIT amounted to HK$312,237,000, a gain of 141.7% when compared with the same period last year. According to the new Hong Kong accounting standards, starting in the fiscal year 2006 of the Group, the fair value of all financial derivatives (including convertible bonds) must be reflected in the profit & loss account, even when the non-cash item has no relation to the actual operation of the company. In June 2005, the Group issued convertible bonds in the amount of US$40,000,000 at an exercise price of HK$1.731 per share (equivalent to a premium of 22.76% of the then share price), and US$26,000,000 worth of the convertible bonds were exercised during the review period. As the market price at the time when the US$26,000,000 bonds were converted and on 30 September 2007 were both substantially higher than the exercise price of HK$1.731 per share, under the new accounting standards, the Group had to recognize a loss in the fair value changes of all the US$40,000,000 convertible bonds in the profit & loss account. The change in fair value of convertible bonds and other derivative financial instruments resulted in a net loss of approximately HK$135,956,000 for the period under review. After such non-cash reduction, profit after tax was HK$74,476,000. Profit attributable to shareholders decreased by 28.0% to HK$64,711,000 and earnings per share also reduced, by 33.4%, from HK3.08 cents in the same period last year to HK2.05 cents. If the changes in the fair value of financial derivatives for the review period and for the last corresponding period were not taken into calculation, profit after tax registered a year-on-year gain of 143.2%, while profit attributable to shareholders and earnings per share increased by 167.3% and 147.5% respectively.

During the period, China Gas built new pipelines of approximately 4,010 km (including branch and customer pipeline network) to its gas pipeline network, reaching a total of approximately 14,483 km. During the period, the Group connected a total of 74,159 residential users and 523 industrial & commercial users with natural gas supply, bringing the total population of connected residential users, and industrial & commercial users to 2,004,403 and 17,663 respectively.

The Group's income from connection fees reached HK$227,027,000, representing an increase of 45.0% from the amount in the last corresponding period. Average connection fee per household increased from RMB2,092 in FY2006/07 to RMB2,368 for the period, indicative of the fairly consistent connection fee collection policy in the country. As at 30 September 2007, since the Group's overall gas penetration rate was only 18.4%, and taking reference from the penetration rate of 60% to 70% in mature markets, the income and cash flow for the Group from connection fees in the next few years are very much assured.

In the review period, revenue from the sale of piped gas reached HK$549,941,000, representing an increase of 103.4% from the amount in the last corresponding period, of which HK$497,542,000 was from the sale of natural gas and HK$52,399,000 was from the sale of other piped gas. Against consistent year-by-year increase in revenue from sale of piped gas, contribution from one-off connection fee will become less and less significant, resulting in a more reliable revenue structure of the Group in the long run.

The Group sold in total 380,489,000 m^3 of piped gas during the period, around 124.6% more than in the corresponding period last year. Of the total volume sold, piped coal gas and liquefied petroleum gas (LPG) accounted for 66,648,000 m^3, while natural gas accounted for 313,841,000 m^3, a leap of 117.3% against the same period last year. Of the total volume of natural gas sold, household users consumed 44,752,000 m^3, industrial users 153,666,000 m^3, commercial users 35,827,000 m^3 and compressed natural gas (CNG) vehicle users 42,208,000 m^3. The Management is pleased to see the strong demand for natural gas giving the Group an optimized sale structure and sale surge in folds to all different customers. Higher margin commercial users and CNG vehicle users, in particular, consumed 207.8% and 539.5% more respectively of the Group's supply against the same period last year. The number of gas stations for CNG vehicles also increased from 11 to 33.

As at 30 September 2007, the Group's cash on hand reached HK$1,428,956,000 (31 March 2007: HK$1,512,347,000). Current ratio and net gearing ratio were approximately 1.15 (31 March 2007: 1.65) and 1.09 (31 March 2007: 0.75) respectively. As compared with the situation in March, the Group was in a very strong cash position and had an enhanced capital structure, translating into sufficient capital for satisfying capital expenditure and working capital needed to support the Group's long-term strategic development.

Between 1 April and 30 November 2007, the Group secured six city gas projects in Taizhou city in Zhejiang province, Meizhou city in Guangdong province, Bohai New Area in Hebei province, Sujiatun district in Shenyang city of Liaoning province, Harbin city in Heilongjiang province and Yulin city in Shaanxi province, taking the number of cities in its project network from 57 in late March 2007 to 63 and covering a connectable urban population of 40,738,000 (around 12,729,000 households). During the period, the Group's high pressure long distance gas pipeline projects increased to 6, including two new lines in Inner Mongolia Autonomous Region and Hebei province. The former of the two lines has an annual gas transmission capacity of 1,200,000,000 m^3. The continuously boosted project portfolio not only evidenced the Group's strength in securing new projects, but has also given it an extensive gas distribution network to support its strategic development in the piped gas market in China.

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English Presentation Broadcasting

Available at www.chinagasholdings.com.hk from 10 pm, 19 December 2007 (HK Time) for 6 months until 18 June 2008

From left to right:

Chief Financial Officer, China Gas	Mr. Eric Leung
Managing Director, China Gas	Mr. Liu Ming Hui
General Manager of IR Department, China Gas	Mr. Frank Li

About China Gas

China Gas Holdings Limited ("China Gas", stock code: 384) is a natural gas services operator, principally engaging in the investment, construction and management of city gas pipeline infrastructure, distribution of natural gas to residential, industrial and commercial users, construction and operation of oil stations and gas stations, and development and application of oil and natural gas related technologies. Major shareholders of the Company include the Haixia Economy and Technology Cooperation Centre under the Taiwan Affairs Office of the State Council of China, Asian Development Bank, Sinopec, the second largest oil and gas company in China, and Gail (India) Limited, the largest natural gas company in India under the control of Indian federal government, and Oman Oil Company, S. A. O. C.. To date, China Gas owns a total of 73 natural gas projects, including exclusive piped gas development rights in 63 cities and region, six natural gas pipeline transmission projects, one natural gas exploration project, one natural gas purification project, and one coal bed methane project, as well as the licence to import and export of LNG and other fuel products in China.

More information about the Group, its products and services may be obtained at http://www.chinagasholdings.com.hk.

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